

JUAB SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2005

JUAB SCHOOL DISTRICT
Table of Contents
Year Ended June 30, 2005

	Page
FINANCIAL SECTION:	
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	16
Statement of Fiduciary Fund Assets and Liabilities - Agency Fund	17
Notes to the Basic Financial Statements	18
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	30
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - <i>School Food Service Fund</i> - Nonmajor Special Revenue Fund	31
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - <i>Special Programs Fund</i> - Nonmajor Special Revenue Fund	32
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - <i>Major Debt Service Fund</i>	33
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - <i>Major Capital Projects Fund</i>	34
Statement of Changes in Assets and Liabilities - <i>Student Activities Agency Fund</i>	35



Independent Auditor's Report

Board of Education
Juab School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Juab School District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis which follows this report is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the District. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Agui & Company, PC

September 9, 2005

Management's Discussion and Analysis

This discussion and analysis section of Juab School District's (the District) annual financial report presents management's discussion and analysis (MD&A) of the District's performance during the year ended June 30, 2005. The MD&A is intended to provide an analysis directly related to the information presented in the District's financial statements, which follow this section.

Financial Highlights

- The District is dependent on federal and state aid and local property taxes. Federal aid increased by \$36,899 or 3.3% for specific programs; overall state aid increased by \$538,229 or 8.0%. Local property tax revenues increased by \$126,136 or 3.7% due largely to increases in property valuation.
- The District's assets exceeded liabilities by \$9.4 million at the close of the most recent fiscal year.
- During 2005, the District's expenses were \$0.4 million less than the \$12.4 million generated in taxes and other revenues for governmental activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the assets and liabilities of the District, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements can be found on pages 10 through 11 of this report.

Fund financial statements. A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the *general fund*, the *debt service fund*, and the *capital projects fund*, each of which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining and individual statements and schedules* elsewhere in this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 16 of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the District cannot use these funds to finance its operations.

The District uses the *student activities agency fund* to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 17 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 18 through 28 of this report.

Other information. The combining and individual statements and schedules referred to earlier in connection with governmental and fiduciary funds are presented immediately following the notes to the basic financial statements. This information can be found on pages 29 through 35 of this report.

Government-wide Financial Analysis

JUAB SCHOOL DISTRICT'S Net Assets

June 30, 2005 and 2004

(in millions of dollars)

	Governmental activities		Total change
	2005	2004	2005-2004
Current and other assets	\$ 9.1	\$ 8.8	\$ 0.3
Capital assets	16.1	15.6	0.5
Total assets	25.2	24.4	0.8
Current and other liabilities	5.9	5.3	0.6
Long-term liabilities outstanding	9.9	10.1	(0.2)
Total liabilities	15.8	15.4	0.4
Net assets:			
Invested in capital assets, net of related debt	6.3	5.8	0.5
Restricted	2.5	2.6	(0.1)
Unrestricted	0.6	0.6	-
Total net assets	\$ 9.4	\$ 9.0	\$ 0.4

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$9.4 million at the close of the most recent fiscal year.

- The largest portion of the District's net assets (68%) reflects its investment in capital assets (e.g., land, buildings, and equipment net of accumulated depreciation) less any related debt (general obligation bonds payable and obligations under capital leases) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net assets (25%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects and debt service.
- The remaining balance of *unrestricted net assets* (7%) may be used to meet the District's obligations to students, employees, and creditors and to honor next year's budget.

At the end of the current fiscal year, the District is able to report positive balances in all of the categories of net assets. The same situation held true for the prior fiscal year.

The District's net assets increased by \$0.4 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:

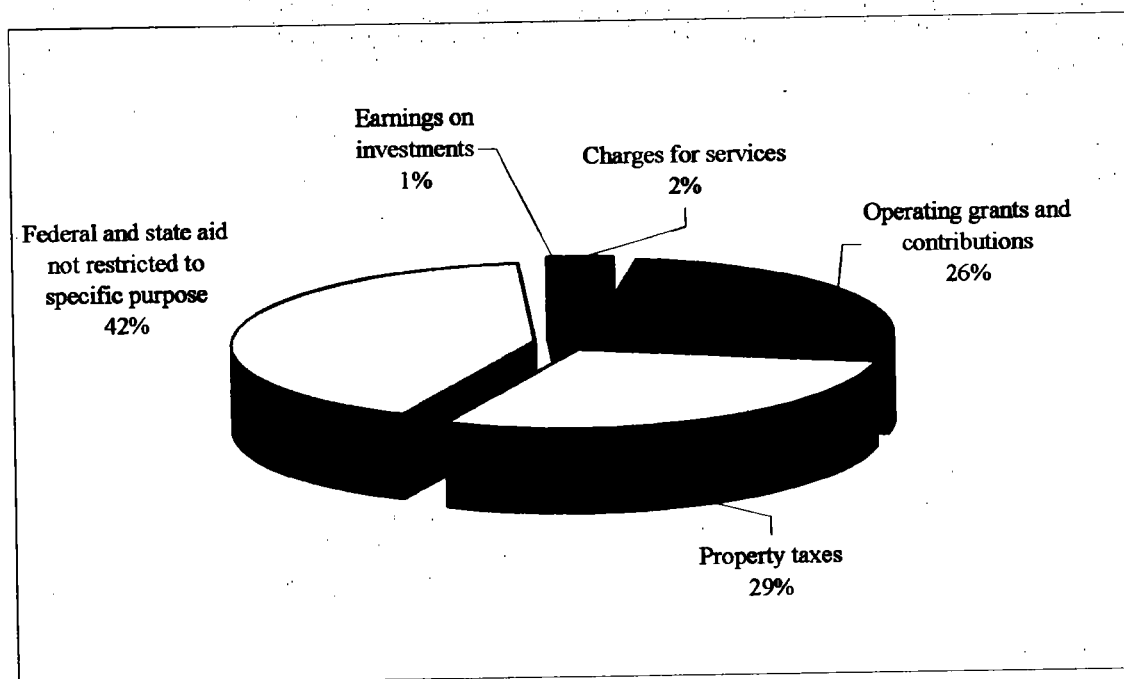
Governmental activities. The key elements of the increase of the District's net assets for the year ended June 30, 2005, are as follows:

JUAB SCHOOL DISTRICT'S Changes in Net Assets
Years Ending June 30, 2005 and 2004
(in millions of dollars)

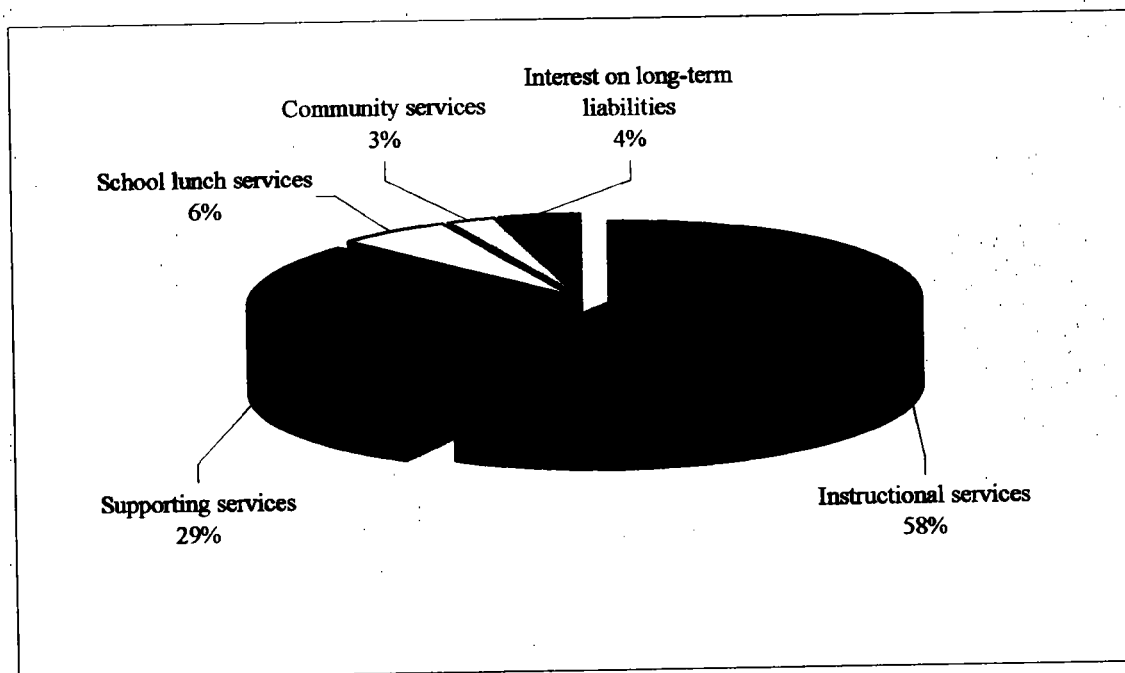
	Governmental activities		Total change
	2005	2004	2005-2004
Revenues:			
Program revenues:			
Charges for services	\$ 0.3	\$ 0.3	\$ -
Operating grants and contributions	3.2	2.9	0.3
General revenues:			
Property taxes	3.6	3.4	0.2
Federal and state aid not restricted to specific purposes	5.2	5.0	0.2
Earnings on investments	0.1	0.1	-
Total revenues	<u>12.4</u>	<u>11.7</u>	<u>0.7</u>
Expenses:			
Instructional	7.0	6.5	0.5
Supporting services:			
Students	0.2	0.2	-
Instructional staff	0.4	0.3	0.1
District administration	0.3	0.3	-
School administration	0.6	0.6	-
Business administration	0.2	0.1	0.1
Operation and maintenance of facilities	1.4	1.5	(0.1)
Student transportation	0.4	0.3	0.1
School food services	0.7	0.6	0.1
Community services	0.3	0.3	-
Interest on long-term liabilities	0.5	0.5	-
Total expenses	<u>12.0</u>	<u>11.2</u>	<u>0.8</u>
Increase in net assets	<u>0.4</u>	<u>0.5</u>	<u>(0.1)</u>
Net assets - beginning	<u>9.0</u>	<u>8.5</u>	<u>0.5</u>
Net assets - ending	<u>\$ 9.4</u>	<u>\$ 9.0</u>	<u>\$ 0.4</u>

- The District is dependent on federal and state aid and local property taxes. Federal aid increased by \$36,899 or 3.3% for specific programs. Local property tax revenues increased by \$158,667 or 4.6% due largely to increased assessed property valuation.
- State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. The state guarantees that if local property taxes do not provide money equal to the amount generated by the WPU the state will make up the difference with state funding. Certain special students receive a weighting greater than one. The value of the WPU increased by 1.5% during the year ended June 30, 2005 (\$2,182 during 2005 as compared to \$2,150 in 2004).

District-wide revenues for governmental activities for the year ended June 30, 2005, are presented as follows:



District-wide expenses for governmental activities for the year ended June 30, 2005, are presented as follows:



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. As the District completed the year, its governmental funds reported a combined fund balance of \$3.0 million, \$325,662 less than the previous year. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$9.2 million, an increase of 5.6% during the current fiscal year. Instructional services represent 68.3% of *general fund* expenditures.
- *General fund* salaries totaled \$5.8 million while the associated employee benefits of retirement, social security, and insurance added \$2.3 million to arrive at 87.8% of total *general fund* expenditures.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the District's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. Undesignated balances in the *general fund* are required by state law to be appropriated in the following year's budget. Fund balances of *debt service*, *capital projects*, and other governmental funds are restricted by state law to be spent for the purpose of each fund and are not available for spending at the District's discretion. The \$804,744 fund balance of the *general fund* is primarily designated for the following purposes:

- *Designation for undistributed reserve.* The District has designated \$400,000 or 4.4% of *general fund* budgeted expenditures. As allowed by state law, the District can establish an undistributed reserve within the *general fund* up to 5% of the budgeted expenditures of the fund; this amount is set aside for contingencies or possible reductions in state funding and is not to be used in the negotiation or settlement of contract salaries. The maintenance of a sufficient reserve is a key credit consideration in the District's excellent bond rating.
- *Designation for programs.* The District has designated \$345,719 of the *general fund* balance for certain programs.

General Fund Budgetary Highlights

During the year, the Board revised the District's *general fund* budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$144,763 or 1.6% in total *general fund* expenditures to reflect decreases in actual expenditures.

During the year, final budgeted revenues were lower than original budgetary estimates by \$354,763 or 3.9%, because of an anticipated decrease in state funding.

On the other hand, revenues were \$314,227 above the final budgeted amount. Variances primarily result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget.

Actual expenditures were more than budgeted by \$96,301 in instruction and \$106,973 in instructional staff and were less than budgeted by \$234,395 in operation and maintenance of facilities. Expenditures were more in instruction and in instructional staff mainly because of one-time bonus' and related benefits paid because of special funding provided by the State legislature. Operation and maintenance expenditures were less than budgeted because some maintenance costs were paid from the capital projects fund utilizing the discretionary ten percent-of basic property tax levy. Overall, general fund actual expenditures were more than budgeted by \$40,887.

Capital Asset and Debt Administration

Capital Assets. The *capital projects fund* is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District.

Capital assets at June 30, 2005 and 2004 are outlined below:

JUAB SCHOOL DISTRICT'S Capital Assets
June 30, 2005 and 2004
(net of accumulated depreciation, in millions of dollars)

	Governmental activities		Total change
	2005	2004	2005-2004
Land	\$ 1.1	\$ 0.7	\$ 0.4
Construction in progress	-	0.2	(0.2)
Buildings and improvements	14.5	14.2	0.3
Furniture and equipment	0.5	0.5	-
Total capital assets	<u>\$ 16.1</u>	<u>\$ 15.6</u>	<u>\$ 0.5</u>

Additional information on the District's capital assets can be found in Note 4 to the basic financial statements.

Debt Administration. The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005, is \$23.9 million. Net general obligation debt, at June 30, 2005, is \$8.7 million (see table below), resulting in a legal debt margin of \$15.2 million.

JUAB SCHOOL DISTRICT'S Outstanding Debt
June 30, 2005 and 2004
(in millions of dollars)

	Governmental activities		Total change
	2005	2004	2005-2004
General obligation bonds	\$ 9.1	\$ 9.7	\$ (0.6)
Deferred amounts on refunding	(0.4)	(0.4)	-
Total bonds payable, net	<u>\$ 8.7</u>	<u>\$ 9.3</u>	<u>\$ (0.6)</u>

The District maintains an aggressive schedule to retire all of its general obligation bonds by 2016.

Additional information on the District's long-term debt can be found in Note 7 to the basic financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Juab School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Business Administrator, Juab School District, 346 East 600 North, Nephi, Utah 84648.

JUAB SCHOOL DISTRICT
Statement of Net Assets
June 30, 2005

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 4,284,086
Receivables:	
Property taxes	3,746,984
State of Utah	93,638
Federal government	869,428
Prepaid expenses	26,074
Inventories	29,518
Bond issuance costs, net of accumulated amortization	92,631
Capital assets:	
Land and construction in progress	1,077,201
Buildings and equipment, net of accumulated depreciation	<u>14,979,256</u>
Total assets	<u>25,198,816</u>
Liabilities:	
Accounts payable	157,388
Accrued interest	15,765
Accrued salaries and related benefits	973,750
Deferred revenue:	
Property taxes	3,526,463
State of Utah	1,230,330
Noncurrent liabilities:	
Due within one year	939,849
Due after one year	<u>8,998,808</u>
Total liabilities	<u>15,842,353</u>
Net assets:	
Invested in capital assets, net of related debt	6,341,687
Restricted for:	
Special programs	93,618
School food services	395,061
Debt service	399,320
Capital projects	1,493,162
Unrestricted	<u>633,615</u>
Total net assets	<u>\$ 9,356,463</u>

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2005

Functions	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Total Governmental Activities
Governmental activities:				
Instruction	\$ 7,022,116	\$ 50,397	\$ 2,204,997	\$ (4,766,722)
Supporting services:				
Student	247,943	-	78,109	(169,834)
Instructional staff	426,612	-	195,180	(231,432)
General administration	264,501	-	56,171	(208,330)
School administration	619,873	-	-	(619,873)
Business administration	165,840	-	7,200	(158,640)
Operation and maintenance of facilities	1,446,318	-	-	(1,446,318)
Student transportation	403,025	18,181	214,130	(170,714)
School food services	670,603	278,978	449,131	57,506
Community services	319,609	-	-	(319,609)
Interest on long-term liabilities	470,909	-	-	(470,909)
Total school district	<u>\$ 12,057,349</u>	<u>\$ 347,556</u>	<u>\$ 3,204,918</u>	<u>(8,504,875)</u>
General revenues:				
Property taxes levied for:				
Basic state K-12 program				887,736
School board leeway - class size reduction				197,275
School board K-3 reading				27,618
Recreation				142,531
Special transportation				49,319
Tort liability				49,319
Debt service				866,036
Capital outlay				1,084,517
Ten percent of basic program				295,419
Federal and state aid not restricted to specific purposes				5,199,296
Earnings on investments				62,998
Total general revenues				<u>8,862,063</u>
Change in net assets				357,188
Net assets - beginning				<u>8,999,275</u>
Net assets - ending				<u>\$ 9,356,463</u>

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Assets:					
Cash and investments	\$ 2,184,154	\$ 268,266	\$ 1,436,300	\$ 395,366	\$ 4,284,086
Receivables:					
Property taxes	1,191,884	909,446	1,502,559	143,095	3,746,984
State of Utah	33,662	-	-	59,976	93,638
Federal government	833,316	-	-	36,112	869,428
Inventories	-	-	-	29,518	29,518
Prepaid expenditures	26,074	-	-	-	26,074
Total assets	\$ 4,269,090	\$ 1,177,712	\$ 2,938,859	\$ 664,067	\$ 9,049,728
Liabilities and fund balances:					
Liabilities:					
Accounts payable	\$ 107,528	\$ -	\$ 26,538	\$ 23,322	\$ 157,388
Accrued salaries and benefits	973,750	-	-	-	973,750
Deferred revenue:					
Property taxes	1,170,440	894,114	1,478,128	140,572	3,683,254
State of Utah	1,212,628	-	-	17,702	1,230,330
Total liabilities	3,464,346	894,114	1,504,666	181,596	6,044,722
Fund balances:					
Reserved for:					
Inventories	-	-	-	29,518	29,518
Prepaid expenditures	26,074	-	-	-	26,074
Unreserved:					
Designated for:					
Undistributed reserve	400,000	-	-	-	400,000
Programs	345,719	-	-	-	345,719
Undesignated, reported in:					
General fund	32,951	-	-	-	32,951
Debt service fund	-	283,598	-	-	283,598
Capital projects fund	-	-	1,434,193	-	1,434,193
Special revenue funds	-	-	-	452,953	452,953
Total fund balances	804,744	283,598	1,434,193	482,471	3,005,006
Total liabilities and fund balances	\$ 4,269,090	\$ 1,177,712	\$ 2,938,859	\$ 664,067	\$ 9,049,728

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2005

Total fund balances for governmental funds	\$ 3,005,006
---	---------------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	\$ 1,077,201	
Buildings, net of \$10,474,549 accumulated depreciation	14,489,129	
Equipment, net of \$708,754 accumulated depreciation	490,127	16,056,457

Some of the District's property taxes will be collected after year-end but are not available soon enough to pay for the current period's expenditures and are therefore reported as deferred revenue in the funds.	156,791
--	---------

Bond issuance costs are reported as expenditures in the governmental funds. The cost is \$123,508 and accumulated amortization is \$30,877.	92,631
---	--------

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Accrued interest for general obligation bonds is:	(15,765)
---	----------

Long-term liabilities that pertain to governmental funds, including general obligation bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

General obligation bonds payable	(9,125,000)	
Deferred amounts on refunding, net of \$126,624 of accumulated amortization	379,868	
Capital lease obligations	(969,638)	
Early retirement benefits payable	(223,887)	(9,938,657)

Total net assets of governmental activities	\$ 9,356,463
--	---------------------

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2005

	Major Funds			Other	Total
	General	Debt Service	Capital Projects	Governmental Funds	Governmental Funds
Revenues:					
Property taxes	\$ 1,194,823	\$ 853,747	\$ 1,360,356	\$ 140,509	\$ 3,549,435
Earnings on investments	27,257	3,589	29,135	3,017	62,998
Fees	64,751	-	-	282,805	347,556
State sources	6,972,677	-	-	263,208	7,235,885
Federal sources	799,719	-	-	368,610	1,168,329
Total revenues	9,059,227	857,336	1,389,491	1,058,149	12,364,203
Expenditures:					
Current:					
Instruction	6,266,301	-	221,344	-	6,487,645
Supporting services:					
Student	246,566	-	-	-	246,566
Instructional staff	416,973	-	-	-	416,973
General administration	242,470	-	-	-	242,470
School administration	619,873	-	-	-	619,873
Business administration	165,840	-	-	-	165,840
Operation and maintenance of facilities	865,605	-	553,174	-	1,418,779
Student transportation	347,259	-	-	-	347,259
Facilities acquisition, construction, and equipment	-	-	1,114,485	-	1,114,485
Debt service:					
Principal	-	625,000	182,182	-	807,182
Interest and fiscal charges	-	419,025	16,998	-	436,023
Community services	-	-	-	319,609	319,609
School food services	-	-	-	667,161	667,161
Total expenditures	9,170,887	1,044,025	2,088,183	986,770	13,289,865
Excess (deficiency) of revenues over (under) expenditures	(111,660)	(186,689)	(698,692)	71,379	(925,662)
Other financing sources (uses):					
Capital lease financing	-	-	600,000	-	600,000
Transfers	111,660	-	(111,660)	-	-
Total other financing sources (uses)	111,660	-	488,340	-	600,000
Net change in fund balances	-	(186,689)	(210,352)	71,379	(325,662)
Fund balances - beginning	804,744	470,287	1,644,545	411,092	3,330,668
Fund balances - ending	\$ 804,744	\$ 283,598	\$ 1,434,193	\$ 482,471	\$ 3,005,006

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Government Funds to the Statement of Activities
Year Ended June 30, 2005

Net change in fund balances-total governmental funds **\$ (325,662)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for equipment and \$100,000 for buildings are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays (facilities acquisition, construction, and equipment)	\$ 1,114,485	
Depreciation expense	<u>(688,473)</u>	426,012

The governmental funds report the issuance of bonds as other financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of bond principal	625,000	
Interest expense - general obligation bonds	(352)	
Amortization of bond issuance costs	(8,421)	
Amortization of deferred amounts on bond refunding	<u>(34,534)</u>	581,693

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net assets.

Capital lease obligations	(600,000)	
Principal payments on capital leases	<u>182,182</u>	(417,818)

Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. Deferred property taxes increased this year. 50,334

In the statement of activities, certain operating expenses - special termination benefits (early retirement) - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During this year, early retirement benefits payable decreased. 42,629

Change in net assets of governmental activities	<u><u>\$ 357,188</u></u>
--	--------------------------

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Local sources:				
Property taxes	\$ 1,307,488	\$ 1,223,000	\$ 1,194,823	\$ (28,177)
Earnings on investments	-	-	27,257	27,257
User fees and other	-	102,000	64,751	(37,249)
State sources	7,125,695	6,645,000	6,972,677	327,677
Federal sources	666,580	775,000	799,719	24,719
Total revenues	9,099,763	8,745,000	9,059,227	314,227
Expenditures:				
Current:				
Instruction	6,207,176	6,170,000	6,266,301	(96,301)
Supporting services:				
Student	222,565	230,000	246,566	(16,566)
Instructional staff	356,500	310,000	416,973	(106,973)
General administration	372,840	275,000	242,470	32,530
School administration	585,932	600,000	619,873	(19,873)
Business administration	171,107	160,000	165,840	(5,840)
Operation and maintenance of facilities	1,062,741	1,100,000	865,605	234,395
Student transportation	295,902	285,000	347,259	(62,259)
Total expenditures	9,274,763	9,130,000	9,170,887	(40,887)
Excess (deficiency) of revenues over				
(under) expenditures	(175,000)	(385,000)	(111,660)	273,340
Other financing sources (uses):				
Transfers	175,000	275,000	111,660	(163,340)
Net change in fund balances	-	(110,000)	-	110,000
Fund balances - beginning	804,744	804,744	804,744	-
Fund balances - ending	\$ 804,744	\$ 694,744	\$ 804,744	\$ 110,000

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Statement of Fiduciary Fund Assets and Liabilities
Agency Fund
June 30, 2005

**Student
Activities
Fund**

Assets:

Cash

\$ 168,277

Liabilities:

Due to student groups

\$ 168,277

The notes to the financial statements are an integral part of this statement.

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Juab School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

Reporting entity – The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. As required by GAAP, these financial statements present the District and any blended component units for which the District is considered to be financially accountable. There were no component units of the District and the District is not a component unit of any other primary government.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net assets and the statement of changes in net assets) display information about the government (the District). These statements include the financial activities of the overall District, except for fiduciary activities. The effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expenses for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (for example, a school building is used primarily for instructional, school administration, operation and maintenance of facilities, and school food services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds (other governmental funds).

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *debt service fund* accounts for resources accumulated and payments made for principal and interest on general obligation school building bonds.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Additionally, the District reports the following fund types:

- The *student activities agency fund* (a fiduciary fund) accounts for monies held on behalf of student groups.

Measurement focus, basis of accounting, and financial statement presentation – The *government-wide financial statements* are reported using the economic resources measurement focus. The government-wide and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the District receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, early retirement and post-retirement healthcare benefits, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt is reported as other financing sources.

Under the terms of grant agreements, the District finances certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Data – The District operates within the budget requirements for school districts as specified by state law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end with the exception of those indicated as a fund balance reserve. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- During May of each year, the District superintendent submits to the Board a proposed operating budget for the next fiscal year commencing July 1. This budget includes proposed expenditures and the means of financing them. Included also is a final budget for the current year ending June 30.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

- Once adopted, the budget can be amended by subsequent Board action. The Board, upon recommendation of the superintendent, can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.
- Certain interim adjustments in estimated revenue and expenditures during the year ended June 30, 2005, have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is employed in the governmental funds. Encumbrances (e.g., purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Deposits and Investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. Investments of the District are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings.

Inventories – Inventories are valued at cost or, if donated, at fair value when received, using the moving average method. Inventories of governmental funds are recorded as expenditures when purchased. Donated food commodities are recorded as revenue when received.

Capital Assets – Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land and equipment and \$100,000 for buildings and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of an asset or significantly extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

Buildings and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Food service equipment	15
Musical instruments	10
Copiers	10
Buses and vehicles	8
Office equipment	5

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Compensated Absences – Under terms of association agreements, employees earn vacation and sick leave in amounts varying with tenure and classification. All vacation amounts must be used in the year allocated. No vacation accrual amounts are carried forward to future periods. Up to 6 unused vacation days can be added to the employees' sick leave. Employees can earn up to 180 days of sick leave; however, there is no accrual made and it is not payable upon termination. At year-end, up to five unused vacation days can be "bought back" by the District; therefore, there is no liability for vacation at year-end.

Long-term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance and refunding costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance and refunding costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance and refunding costs, whether or not withheld from the actual debt proceeds received, are reported as an expenditure.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative plans for future use of financial resources that are subject to change.

Comparative Data and Reclassifications – Comparative data for the prior year has been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

2. DEPOSITS AND INVESTMENTS

Deposits and investments are carried at fair value. A reconciliation of cash and investments at June 30, 2005, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 3,728,407
Investments	<u>723,956</u>
Total cash and investments	<u>\$ 4,452,363</u>
Governmental funds cash and investments	\$ 4,284,086
Fiduciary fund cash and investments	<u>168,277</u>
Total cash and investments	<u>\$ 4,452,363</u>

The District follows the requirements of the Utah Money Management Act (Section 51, Chapter 7 of the Utah Code) (Act) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers' Investment Fund (PTIF), certificates of deposit, U.S. Treasury obligations, U.S. agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, restricted mutual funds, and obligations of governmental entities within the State of Utah.

The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. If a qualified depository should become ineligible to hold public funds, public treasurers are notified immediately. The District considers the actions of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits – The District's carrying amount of bank deposits at June 30, 2005, is \$3,728,407, and the bank balance is \$4,132,302. Of the bank balance, \$4,002,000 exceeded federal depository insurance coverage, and is uninsured. No deposits are collateralized, nor are they required to be by state statute.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2005, the uninsured amount of the District's bank deposits was uncollateralized.

Investments – At year-end, the District's investment balances of \$723,956 were held in the Public Treasurers' Investment Fund, which has a maturity of less than one year and is not rated for credit risk.

- **Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. Except for endowments, the Act further limits the remaining term

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

to maturity on all investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years.

- **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service, Inc. or by Standard and Poor's Corporation. The District has no investment policy that would further limit its investment choices.
- **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer. The District places no other limits on the amount it may invest in any one issuer.
- **Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules. The District places no other limit on the amount of investments to be held by counterparties.

3. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the Juab County Treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30. Delinquent taxes are subject to a 2% penalty, with a \$10 minimum penalty. If delinquent taxes and penalties are not paid by January 15 of the following year, these delinquent taxes, including penalties, are subject to an interest charge at an annual rate equal to the federal discount rate plus 6%; the interest period is from January 1 until date paid.

Motor vehicles are subject to an "age-based" fee that is due each time a vehicle is registered. The age-based fee is for passenger type vehicles and ranges from \$10 to \$150 based on the age of the vehicle. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the property is located in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when the County collects it.

As of June 30, 2005, property taxes receivable by the District include uncollected taxes assessed as of January 1, 2005, or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 747,201	\$ 330,000	\$ -	\$ 1,077,201
Construction in progress	201,367	629,093	(830,460)	-
Total capital assets, not being depreciated	948,568	959,093	(830,460)	1,077,201
Capital assets, being depreciated:				
Buildings	24,133,218	830,460	-	24,963,678
Equipment	1,259,351	155,392	(215,862)	1,198,881
Total capital assets, being depreciated	25,392,569	985,852	(215,862)	26,162,559
Accumulated depreciation for:				
Buildings	(9,902,996)	(571,553)	-	(10,474,549)
Equipment	(807,696)	(116,920)	215,862	(708,754)
Total accumulated depreciation	(10,710,692)	(688,473)	215,862	(11,183,303)
Total capital assets being depreciated, net	14,681,877	297,379	-	14,979,256
Governmental activity capital assets, net	<u>\$ 15,630,445</u>	<u>\$ 1,256,472</u>	<u>\$ (830,460)</u>	<u>\$ 16,056,457</u>

For the year ended June 30, 2005, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 568,679
Supporting services:	
Student services	1,377
Instructional staff	9,639
District administration	22,031
Operation and maintenance of facilities	27,539
Student transportation	55,766
School food services	3,442
Total depreciation expense	<u>\$ 688,473</u>

During the fiscal year ended June 30, 2004, the District entered into a contract to improve and construct athletic facilities, which was completed during the fiscal year ended June 30, 2005.

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

5. RETIREMENT PLANS

Defined Benefit Plans – The District contributes to the State and School Contributory Retirement System and the State and School Noncontributory Retirement System (collectively, the Systems) which are cost-sharing, multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953, as amended. The Utah State Retirement Act in Chapter 49 provides for the administration of the URS and plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 1.00% of annual covered salary, and the District contributes 13.89% of annual covered salary. For employees participating in the State and School Noncontributory System, the District contributes 13.38% of annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Utah State Retirement Board.

The District's contributions to the State and School Contributory Retirement System for the years ended June 30, 2005, 2004, and 2003 are \$15,983, \$16,838, and \$19,460, respectively, and employee contributions were \$1,151, \$1,379, and \$1,784, respectively. The District's contributions to the State and School Noncontributory Retirement System for the years ended June 30, 2005, 2004, and 2003 are \$659,673, \$530,628, and \$518,862, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans – The District also participates in a defined contribution plan under Internal Revenue Code Section 401(k) to supplement retirement benefits accrued by participants in the Systems. Employees covered by the State and School Non-contributory Retirement System have a contribution of 2.5% of covered salaries automatically made by the District. Employees participating in the Systems can make additional contributions to the 401(k) plan up to specified limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. The employer 401(k) contributions for the years ended June 30, 2005, 2004 and 2003 are \$75,194, \$78,672, and \$75,838, respectively; the employee contributions for the years ending June 30, 2005, 2004 and 2003 are \$88,176, \$75,114, and \$71,472, respectively. The 401(k) plan funds are fully vested to the participants at the time of deposit. Plan assets are administered and held by URS.

Early Retirement Benefits – In addition to the retirement plan discussed above, the District provides an early retirement incentive program. Eligibility is restricted to those teachers and administrators with a minimum of 15 years of service in the District who have reached the age of 60. Also, those who retire at the age of 60 and have 15 years with the District and a minimum of 30 years in education qualify for these benefits. Those qualifying under this plan, who choose to retire early, may receive benefits for up to five consecutive years. Benefits are determined by taking the annual salary of the retiree and dividing it over a five-year period immediately following retirement. The amount paid will be adjusted each year to the current salary schedule. The District funds this program on a pay-as-you-go basis and payments to retired employees under this plan for the year ended June 30, 2005 was \$55,841 for seven early retirees. Future payments for employees who have elected early retirement will be \$165,867. Expenditures are recognized

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

in the governmental funds when payments are made. Expenses are recognized in the government-wide financial statements in the year of retirement.

In addition to early retirement compensation, the District provides health insurance coverage to qualified early retired employees who qualify for early retirement compensation. The District funds benefits on a pay-as-you-go basis and payments to retired employees under this plan for the year ended June 30, 2005 was \$25,848 for three early retirees. Future benefit payments for employees who have elected early retirement are estimated to be \$58,020.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined with other public entities in a common risk management and insurance program operated by the State of Utah Division of Risk Management. The District pays premiums to this risk pool, the Utah State Risk Management Fund, for its general insurance coverage. The pool is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified amounts for certain types of risks. The District is subject to a minimal deductible for claims for the risk pool. The District has joined the Utah School Board Risk Management Mutual Insurance Association, which is a risk pool for workers' compensation. The District has joined with other Utah school districts to pool employee health and accident coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The District also provides post-retirement health care benefits for certain retired employees as described in Note 5.

7. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2005, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds payable	\$ 9,750,000	\$ -	\$ (625,000)	\$ 9,125,000	\$ 660,000
Deferred amounts on refunding	(414,402)	-	34,534	(379,868)	-
Total bonds payable, net	9,335,598	-	(590,466)	8,745,132	660,000
Capital lease obligations	551,820	600,000	(182,182)	969,638	206,560
Early retirement obligation	266,516	39,060	(81,689)	223,887	73,289
Total governmental activity long-term liabilities	<u>\$ 10,153,934</u>	<u>\$ 639,060</u>	<u>\$ (854,337)</u>	<u>\$ 9,938,657</u>	<u>\$ 939,849</u>

Payments on the general obligation bonds are made by the *debt service fund* from property taxes. Payments under capital lease obligations are made by the *capital projects fund*. Compensated absences and early retirement benefits will be paid by the fund in which the employee worked.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments are listed on the next page.

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Years Ending June 30,	Principal	Interest	Total
2006	\$ 660,000	\$ 386,500	\$ 1,046,500
2007	695,000	355,535	1,050,535
2008	720,000	329,473	1,049,473
2009	755,000	300,673	1,055,673
2010	785,000	270,473	1,055,473
2011-2015	4,485,000	838,517	5,323,517
2016	1,025,000	46,638	1,071,638
Total	<u>\$9,125,000</u>	<u>\$ 2,527,809</u>	<u>\$ 11,652,809</u>

General Obligation Bonds – General obligation school building bonds payable at June 30, 2005, with their outstanding balance are comprised of the following individual issues:

Series 1996 - General Obligation Bonds - original issue of \$12,000,000 with interest rates ranging from 4.50% to 8.0%	\$ 605,000
Series 2001 - General Obligation Refunding Bonds - original issue of \$8,835,000 with interest rates ranging from 3.0% to 4.55%	8,520,000
	<u>\$ 9,125,000</u>

The general obligation bonded debt of the District is limited by state law to 4% of the fair market value of the total taxable property in the District. The legal debt limit at June 30, 2005, is \$23,879,970 with net general obligation debt outstanding of \$8,745,132 million, resulting in a legal debt margin of \$15,134,838.

Capital Leases – During the fiscal year ended June 30, 2003, the District entered into a lease/purchase agreement with a national bank in connection with the acquisition of property used to consolidate and upgrade administrative offices, whereas it is the intent of the parties that the original term of the lease, and any subsequent renewal terms, shall not exceed 12 months, and that the payment obligation of the lease shall not constitute a general obligation under state law. The total acquisition cost/capital lease payable was \$570,000 and is included in capital assets being depreciated; accumulated depreciation at June 30, 2005, is \$40,309. Principal payments of \$101,260 and interest of \$14,067 were made during the fiscal year ended June 30, 2005 from the *capital projects fund* and are recorded as expenditures in that fund.

During the fiscal year ended June 30, 2005, the District entered into a lease/purchase agreement with a national bank in connection with remodeling of the high school track and field, whereas it is the intent of the parties that the original term of the lease, and any subsequent renewal terms, shall not exceed 12 months, and that the payment obligation of the lease shall not constitute a general obligation under state law. The total acquisition cost was \$805,649 and is included in capital assets being depreciated; no accumulated depreciation was recorded at June 30, 2005. The total amount borrowed under the capital lease agreement was \$600,000. No principal or interest payments were recorded during the fiscal year ended June 30, 2005.

During the fiscal year ended June 30, 2003, the District entered into a master lease agreement with a national lending institution to finance the acquisition of school fitness equipment with an acquisition cost of \$215,901. During the year ended June 30, 2005, the District paid \$80,922 in principal and \$2,932 in

JUAB SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

interest from the capital projects fund, recorded as expenditures in that fund. Future debt service requirements for this lease include \$43,900 of principal and \$514 of interest in 2006.

Future debt service requirements for these leases will be as follows:

Fiscal Year Ending June 30	Principal	Interest
2006	\$ 206,561	\$ 34,632
2007	166,233	30,546
2008	172,690	24,089
2009	63,067	18,385
2010	65,937	15,515
2011 - 2014	295,150	30,659
	<u>\$ 969,638</u>	<u>\$ 153,827</u>

8. GRANTS

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be insignificant.

9. CONTINGENCIES AND COMPLIANCE

Some major taxpayers within the District continue to contest prior-year tax assessments and the District has refunded a portion of those taxes in accordance with judgments in favor of the taxpayers. The District may levy a judgment recovery property tax to finance any refunds. During the year ended June 30, 2005, a total of \$2,203 was refunded to taxpayers. The District allocates the refunds to each governmental fund based on each fund's current tax rates. The impact of pending contested assessments has not been determined.

All fund expenditures were less than budgeted amounts except for expenditures in the *general fund*, which were \$40,887 in excess of budgeted amounts and expenditures in the *capital projects fund*, which were \$91,183 in excess of budgeted amounts. Both the *general fund* and the *capital projects fund* had sufficient revenues and fund balance to honor 2005 expenditures.

10. TRANSFERS

During the year ended June 30, 2005 the District transferred \$111,660 from the capital projects fund to the general fund to cover expenditures in the general fund for supplies, equipment, textbooks, and maintenance. This represents 38% of the amount received from the Ten Percent of Basic tax levy which by state law is collected in the Capital Projects Fund but is used for the above listed General Fund and some Capital Projects Fund expenditures.

JUAB SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue		Total Nonmajor Governmental Funds
	School Food Services	Special Programs	
Assets:			
Cash	\$ 339,653	\$ 55,713	\$ 395,366
Receivables:			
Property taxes	-	143,095	143,095
State of Utah	15,907	44,069	59,976
Federal Government	33,172	2,940	36,112
Inventories	29,518	-	29,518
Total assets	<u>\$ 418,250</u>	<u>\$ 245,817</u>	<u>\$ 664,067</u>
Liabilities:			
Accounts payable	\$ 23,189	\$ 133	\$ 23,322
Deferred revenue:			
Property taxes	-	140,572	140,572
State of Utah	-	17,702	17,702
Total liabilities	<u>23,189</u>	<u>158,407</u>	<u>181,596</u>
Fund balances:			
Reserved for inventories	29,518	-	29,518
Unreserved, undesignated	365,543	87,410	452,953
Total fund balances	<u>395,061</u>	<u>87,410</u>	<u>482,471</u>
Total liabilities and fund balances	<u>\$ 418,250</u>	<u>\$ 245,817</u>	<u>\$ 664,067</u>

JUAB SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2005

	Special Revenue		Total
	School	Special	Nonmajor
	Food Services	Programs	Governmental
			Funds
Revenues:			
Local revenue:			
Property taxes	\$ -	\$ 140,509	\$ 140,509
Earnings on investments	3,017	-	3,017
Fees	278,879	3,926	282,805
State sources	83,461	179,747	263,208
Federal sources	365,670	2,940	368,610
Total revenues	<u>731,027</u>	<u>327,122</u>	<u>1,058,149</u>
Expenditures:			
Current:			
Community services	-	319,609	319,609
School food services	667,161	-	667,161
Total expenditures	<u>667,161</u>	<u>319,609</u>	<u>986,770</u>
Net change in fund balances	63,866	7,513	71,379
Fund balances - beginning	<u>331,195</u>	<u>79,897</u>	<u>411,092</u>
Fund balances - ending	<u>\$ 395,061</u>	<u>\$ 87,410</u>	<u>\$ 482,471</u>

JUAB SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
School Food Service Fund
Nonmajor Special Revenue Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Food sales	\$ 290,000	\$ 278,879	\$ (11,121)	\$ 281,513
Earnings on investments	-	3,017	3,017	-
State program revenues	85,000	83,461	(1,539)	78,779
Federal program revenues:				
Federal allocation	90,000	70,925	(19,075)	67,117
Federal free and reduced	180,000	200,641	20,641	185,618
Donated food commodities	15,000	42,731	27,731	60,736
Federal summer program	15,000	51,373	36,373	48,110
Total revenues	675,000	731,027	56,027	721,873
Expenditures:				
Salaries	217,000	213,433	3,567	211,283
Benefits	78,000	77,292	708	75,252
Purchased services	9,000	5,000	4,000	8,519
Utilities	18,000	19,225	(1,225)	16,282
Food	294,000	259,613	34,387	250,019
Operating supplies	17,000	36,988	(19,988)	30,228
Property	12,000	28,110	(16,110)	-
Indirect costs	30,000	27,500	2,500	28,527
Total expenditures	675,000	667,161	7,839	620,110
Net change in fund balances	-	63,866	63,866	101,763
Fund balances - beginning	331,195	331,195	-	229,432
Fund balances - ending	\$ 331,195	\$ 395,061	\$ 63,866	\$ 331,195

JUAB SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Special Programs Fund
Nonmajor Special Revenue Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Local sources:				
Property taxes	\$ 150,000	\$ 140,509	\$ (9,491)	\$ 137,009
Earnings on investments	-	-	-	-
Fees	5,000	3,926	(1,074)	4,359
State program revenues	175,000	179,747	4,747	158,120
Federal program revenues	30,000	2,940	(27,060)	2,800
Total revenues	<u>360,000</u>	<u>327,122</u>	<u>(32,878)</u>	<u>302,288</u>
Expenditures:				
Current:				
Supporting services:				
Salaries	245,000	201,354	43,646	180,986
Benefits	97,000	57,530	39,470	52,613
Supplies and property	10,000	38,353	(28,353)	34,725
Indirect costs	25,000	22,372	2,628	18,184
Total expenditures	<u>377,000</u>	<u>319,609</u>	<u>57,391</u>	<u>286,508</u>
Net change in fund balances	(17,000)	7,513	24,513	15,780
Fund balances - beginning	79,897	79,897	-	64,117
Fund balances - ending	<u>\$ 62,897</u>	<u>\$ 87,410</u>	<u>\$ 24,513</u>	<u>\$ 79,897</u>

JUAB SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Debt Service Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 950,275	\$ 853,747	\$ (96,528)	\$ 1,104,135
Earnings on investments	-	3,589	3,589	-
Total revenues	950,275	857,336	(92,939)	1,104,135
Expenditures:				
Debt service:				
Bond principal	625,000	625,000	-	570,000
Bond interest and fiscal charges	425,275	419,025	6,250	445,062
Total expenditures	1,050,275	1,044,025	6,250	1,015,062
Net change in fund balances	(100,000)	(186,689)	(86,689)	89,073
Fund balance - beginning	470,287	470,287	-	381,214
Fund balance - ending	\$ 370,287	\$ 283,598	\$ (86,689)	\$ 470,287

JUAB SCHOOL DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Major Capital Projects Fund
Year Ended June 30, 2005
With Comparative Totals for 2004

	2005			2004
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)	Actual Amounts
Revenues:				
Property taxes	\$ 1,240,000	\$ 1,360,356	\$ 120,356	\$ 1,030,652
Earnings on investments	60,000	29,135	(30,865)	59,068
State program revenues	-	-	-	68,427
Total revenues	1,300,000	1,389,491	89,491	1,158,147
Expenditures:				
Current:				
Instruction	131,000	221,344	(90,344)	115,717
Supporting Services:				
Operation and maintenance of facilities	80,500	553,174	(472,674)	363,366
Debt Service				
Principal	175,000	182,182	(7,182)	162,890
Interest	22,000	16,998	5,002	22,229
Equipment	129,000	155,392	(26,392)	184,702
Land	330,000	330,000		
Facilities acquisition and construction	1,129,500	629,093	500,407	201,367
Total expenditures	1,997,000	2,088,183	(91,183)	1,050,271
Excess (deficiency) of revenues over (under) expenditures	(697,000)	(698,692)	(1,692)	107,876
Other financing sources (uses):				
Capital lease financing	600,000	600,000	-	-
Transfer	(275,000)	(111,660)	163,340	(225,000)
Net change in fund balances	(372,000)	(210,352)	161,648	(117,124)
Fund balance - beginning	1,644,545	1,644,545	-	1,761,669
Fund balance - ending	<u>\$ 1,272,545</u>	<u>\$ 1,434,193</u>	<u>\$ 161,648</u>	<u>\$ 1,644,545</u>

JUAB SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Student Activities Agency Fund
Year Ended June 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2005</u>
Assets:				
Cash	\$ 152,067	\$ 616,625	\$ 600,415	\$ 168,277
Liabilities:				
Due to student organizations:				
Juab High School	84,451	435,042	428,252	91,241
Juab Junior High	19,323	60,933	62,047	18,209
Juab Middle School	9,204	55,993	53,890	11,307
Nephi Elementary School	22,189	48,759	41,474	29,474
Mona Elementary School	16,900	15,898	14,752	18,046
Total due to student organizations	\$ 152,067	\$ 616,625	\$ 600,415	\$ 168,277

JUAB SCHOOL DISTRICT
SINGLE AUDIT AND STATE OF UTAH
LEGAL COMPLIANCE REPORTS

Year Ended June 30, 2005

TABLE OF CONTENTS

	Page
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	4
Summary Schedule of Prior Audit Findings	6
Schedule of Findings and Questioned Costs	7
Independent Auditor's Report on Legal Compliance in Accordance with the <i>Utah State Legal Compliance Audit Guide</i>	8
Letter to Management	10

**JUAB SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2005

<u>Federal Grantor / Pass Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Pass- Through Grantor's Number</u>	<u>District's Program Number</u>	<u>(Deferral) Receivable June 30, 2004</u>	<u>Received</u>	<u>Expended</u>	<u>(Deferral) Receivable June 30, 2005</u>
U.S. DEPARTMENT OF AGRICULTURE:							
Passed through State Office of Education:							
Food Donation	10.550	n/a	8001	\$ -	\$ 42,731	\$ 42,731	\$ -
School Breakfast Program	10.553	44	8001	-	21,465	21,465	-
National School Lunch Program	10.555	42/43	8001	-	250,101	250,101	-
Summer Food Service Program for Children	10.559	48	8001	31,449	49,650	51,373	33,172
Passed through Utah County Forest Reserve:							
Schools and Roads - Grants to States	10.665	n/a	7360	-	13,903	13,903	-
				31,449	377,850	379,573	33,172
U.S. DEPARTMENT OF EDUCATION:							
Passed through State Office of Education:							
Adult Education - State Grant Program	84.002	33	7580	2,800	2,800	2,940	2,940
Title I Grants to Local Educational Agencies	84.010	08	7511	169,999	169,999	197,357	197,357
Special Education - Grants to States	84.027	19	7551	361,169	361,169	391,731	391,731
Vocational Education - Basic Grants to States	84.048	21	6000	32,381	32,381	30,823	30,823
Safe and Drug-Free Schools and Communities - State Grants	84.186	09	7507	7,109	7,109	7,816	7,816
Special Education - Preschool Grants	84.173	52	7512	-	191	20,273	20,082
State Grants for Innovative Programs	84.298	90	7512/7920	11,466	-	8,872	20,338
Education Technology State Grants	84.318	07	7505	5,842	-	6,421	12,263
Special Education - Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325		7601	-	-	3,981	3,981
Improving Teacher Quality State Grants	84.367	74	7510/7605	76,248	-	72,678	148,926
				667,014	573,649	742,892	836,257
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Passed through Jordan School District:							
Medical Assistance Program	93.778	n/a	7750	-	45,864	45,864	-
Total federal awards				\$ 698,463	\$ 997,363	\$ 1,168,329	\$ 869,429

JUAB SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. General

The schedule of expenditures of federal awards presents the activity of all federal award programs of Juab School District (District). The District reporting entity is defined in Note 1 to the District's financial statements. All federal awards received directly from federal agencies as well as federal awards passed through from other government agencies are included on the schedule.

Note 2. Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting for awards received by governmental funds as described in Note 1 to the District's financial statements.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as deferred revenue until earned. Donated food commodities are recorded at fair value in the Food Services Fund as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenditures when they are transferred to schools for consumption.

Note 3. Relationship to District's Financial Statements

Federal awards expended on the schedule of expenditures of federal awards for the year ended June 30, 2005, are reported in the District's financial statements as federal government revenues as follows:

General Fund	\$ 799,719
School Food Services (Special Revenue Fund)	365,670
Special Programs (Special Revenue Fund)	2,940
	<u>\$ 1,168,329</u>



**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Education
Juab School District

We have audited the financial statements of the governmental activities, each major fund, and the remaining fund information of the Juab School District (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated September 9, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance or other matters, which we have reported to management of the District in a separate letter, dated September 9, 2005.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Squire & Company, PC

September 9, 2005



**Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control over Compliance in Accordance with OMB Circular A-133**

Board of Education
Juab School District

Compliance

We have audited the compliance of the Juab School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of the major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Juab School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the

normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of Juab School District as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Squire + Company, PC

September 9, 2005

JUAB SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2005

No matters were reported in the prior year.

JUAB SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

I. Summary of auditor's results:

Financial Statements:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

-Material weakness(es) identified? ___ yes X no

-Reportable condition(s) identified that are not considered to be material weaknesses?
 ___ yes X none reported

Noncompliance material to financial statements noted?
 ___ yes X no

Federal Awards:

Internal control over major programs:

-Material weakness(es) identified? ___ yes X no

-Reportable condition(s) identified that are not considered to be material weakness(es)?
 ___ yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? ___ Yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I – Grants to Local Educational Agencies
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes ___ no

II. Financial statement findings:

No matters were reported.

III. Federal award findings and questioned costs:

No matters were reported.



**Independent Auditor's Report on Legal Compliance in
Accordance with the *Utah State Legal Compliance Audit Guide***

Board of Education
Juab School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Juab School District (District) as of and for the year ended June 30, 2005, and have issued our report thereon dated September 9, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; and special tests and provisions applicable to each of its major state assistance programs as required by the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah (each passed through the State Office of Education):

Minimum School Program

The District also received non-major state grants, which are not required to be audited for specific compliance requirements; however, these grants were subject to test work as part of the audit of the District's financial statements.

Our audit also included test work on the District's compliance with those general compliance requirements identified in the *State of Utah Legal Compliance Audit Guide* including:

Public Debt	Cash Management
Purchasing Requirements	Budgetary Compliance
Truth in Taxation and Property Tax Limitations	Other General Compliance Issues

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with requirements referred to above, which are described in the accompanying letter to management. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Juab School District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.

Squire + Company, PC

September 9, 2005



Letter to Management

September 9, 2005

Board of Education
Juab School District

In planning and performing our audit of the financial statements of Juab School District for the year ended June 30, 2005, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 9, 2005, on the financial statements of the District. Also, reportable conditions and material internal control weaknesses, if any, are included in our reports dated September 9, 2005, in accordance with *Government Auditing Standards* and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Current year comments

Budgetary Compliance – Utah Code 53A-19 requires that a school district shall not incur expenditures in excess of the total appropriation for any fund. Actual expenditures in the capital projects fund and in the general fund exceeded budgeted appropriations by \$91,183 and \$40,887, respectively. We recommend that expenditures and accounts payable be carefully reviewed near year end so that expenditure budgets can be appropriately amended, if necessary.

Management's Response – We concur and will review year-end expenditures and accounts payable to prevent unintentionally exceeding authorized expenditure budgets.

Individual schools – We visited three individual schools during the year to test financial, equipment, and membership accounting. Certain immaterial matters regarding maintaining supporting documentation were noted and discussed with school principals and District personnel. We noted that at two of the schools documentation regarding depositing funds within three days was incomplete. We recommend continued training of school personnel and monitoring compliance with District policies.

Management's response – We have reviewed these matters and have made or will make changes to incorporate recommendations where needed.

Certifications – We noted that formal certifications as required by OMB Circular A-87 to support allocation of payroll costs to restricted federal programs are not always adequately documented. We recommend that monthly certifications be obtained for individuals who work in more than one program and when at least one of the programs is federal. We also recommend that semi-annual certifications be obtained for employees who work in one federal program.

Management's response – We will assign federal program managers the responsibility of training and implementing time recording procedures sufficient to comply with federal guidelines and will monitor compliance.

We will review the status of these comments during our next audit engagement. We have already discussed in detail these comments and suggestions with management and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing recommendations. We appreciated being able to work with District personnel in our audit. We note those we worked with during the audit process were very responsive and helpful.

Squire & Company, PC

Squire & Company, PC